Quarterly performance update

April 2016

The first quarter of 2016 saw a repeat of the third quarter of 2015. Global equities sold off on the back of fears of a hard landing in China and weak Oil prices. The riskier Copia model portfolios were most affected by this volatility. Apart from Models 1 and 2, Copia models posted negative performance in Q1. In our realignment in mid-February 2016 we de-risked the portfolios, switching more to fixed income.

Global Markets in Quarter 1 of 2016

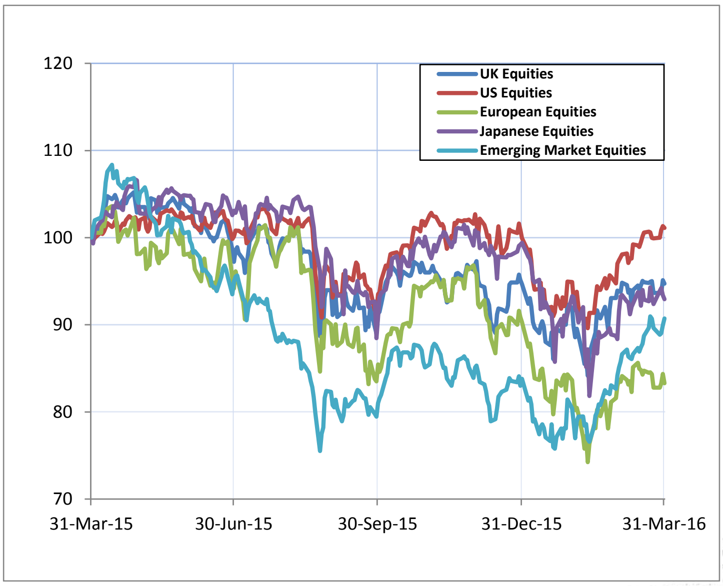
2016 started off on a very weak note as the equity markets collapsed over 10% in the first week and drifted lower, bottoming out in mid- February. The collapse was attributed to fears of the Chinese economy slowing down dramatically as commodity prices continued to drop. The bottom for US and UK markets was around 10%, whilst those for European, Chinese and Japanese markets were around 20%. Since mid-February, equity markets have been recovering as markets priced in an increase in quantitative easing from the ECB and the US Fed has indicated a slower pace of rate hikes than previously stated. UK and US markets have ended flat YTD, whilst Japan and Europe are down about 10%.

The possibility of a 'Brexit' and holding off a rate hike by the Bank of England has put downward pressure on Pound Sterling. GBP has depreciated against all major currencies since the start of the year; while Japanese equities entered bear market territory during the sell off as Bank of Japan (BoJ) cut interest rates to negative territory to stimulate the economy further. Even with a cut in rates, Japanese Yen appreciated massively as it has been perceived as a safe haven asset along with Gold which has gained 16% YTD. Global bonds have also rallied but with yields still at a decade low. Although global equity markets have bounced back in March, safe haven assets have not retreated as Gold, Bonds and Japanese Yen hold onto its gains.

UK Equities

Whilst the UK equity markets have not been as volatile as others, there remains a lot of uncertainty about a British exit from the EU which goes to a referendum vote on 23 June 2016. This has caused the GBP to weaken against all major currencies as markets price in the impact of the UK leaving the EU. FTSE 100 ended flat, whilst FTSE 250 is down 2.4% in total return terms. The FTSE 100 minimum variance ETF we hold posted 3.8% gains YTD. The UK GDP continued to grow at an annual pace of 2.1% while inflation remained slightly positive in Q1.

Figure 1: Volatile equity markets in Q1. Source: Bloomberg



US Equities

Having suffered losses of up to 10% with the sell-off in global equities, fuelled by worries about China, the US equity markets ended the quarter fairly flat as the S&P 500 gained 1% while the NASDAQ 100 was down 2% in total return terms in the first quarter of 2016. The Fed stated that the US economy had been expanding at a moderate pace and expects inflation to rise in the medium term. The quandary is that even though short-term inflation expectations are low, the realised inflation is above expectations. With Fed's dovish comments, the US Dollar Index depreciated against the world currencies by 4% as markets price in a slower pace of rate hikes.

European Equities

European equities suffered much larger losses compared to UK and US equities during the global equity rout in the January. European inflation also slipped back into negative territory in February but markets recovered as ECB President Draghi announced a bigger than expected stimulus plan on 10 March, saying: “We decided to expand the monthly purchases under our asset purchase programme from €60bn previously stated to €80bn. They are intended to run until to the end of March 2017 or beyond if necessary and, in any case, until the governing council sees a sustained adjustment in the path of inflation consistent with its aim of achieving inflation rates below but close to 2% over the medium term." He also said he hoped there will be no further rate cuts, but rates would be low for a long time, and well past the end of the asset purchase program. The ECB has also slashed its growth and inflation expectations. Euro Stoxx 50 ended 7.8% down for the quarter, while our European Equity Fund ended down 6.6%.

Japanese Equities

Japan, having economic ties to China, was one of the worst performing equity markets entering bear territory and posting nearly 20% losses between the beginning of the year and the bottom in mid-February. Bank of Japan, to alleviate this, moved to negative deposit rates in the last week of January, which temporarily weakened the Yen and pushed Japanese equities higher. However, because of its safe-haven quality, the Japanese Yen has appreciated 8.75% against GBP, 6.4% against USD and 2% against EUR, putting pressure on exporters, leading the Nikkei 225 down 12% in the first quarter of 2016, while our Japanese Equity fund ended down 12.5%.

Emerging Equities

Worries about the growth in the Chinese economy faltering are perceived as the reason for the cause of the recent months’ fall in equity markets. Chinese equities have been falling since mid Q3 of 2015 along with commodity prices, especially oil, which has led to lower growth expectations as China shifts its economy from a commodity based to services based. The Chinese government is struggling between providing modest stimulus and preventing a build-up of large debt. In the last week of February China opened up its domestic bond market to liberalise its financial system and have been using its Forex reserves to stabilize its currency market. With an ongoing and prospective weakening of fiscal metrics, Moody’s has changed the outlook to negative from stable on Chinese sovereign debt in February. Since the beginning of this year the A-shares class, which includes both Hong Kong and Mainland shares, has fallen as much as 25% and ended the quarter at -16%, while MSCI China Total Return Index was down 5%. Regardless of China, the remainder of the Emerging Markets block are participating in the recent rally in equities – MSCI Emerging Markets Index has ended the quarter up 5% in GBP terms.

Fixed Income

Fixed income assets have posted positive gains in the first quarter, in line with the fall in equity markets. However, with yields still at their decade lows, the total return from bonds is low. There is a divergence between the US Fed, increasing rates and European and Japanese bonds as the Central Banks of the latter two are doing quantitative easing. The UK and Global Government bond funds we hold posted 1.5% and 3.3% respectively, whilst the UK short term corporate bond ETF we hold was up just shy of 1.27%. In our realignment in mid-February, we increased the allocation in fixed income across the range primarily to reduce volatility across all our portfolios as equity markets witnessed high levels of volatility.

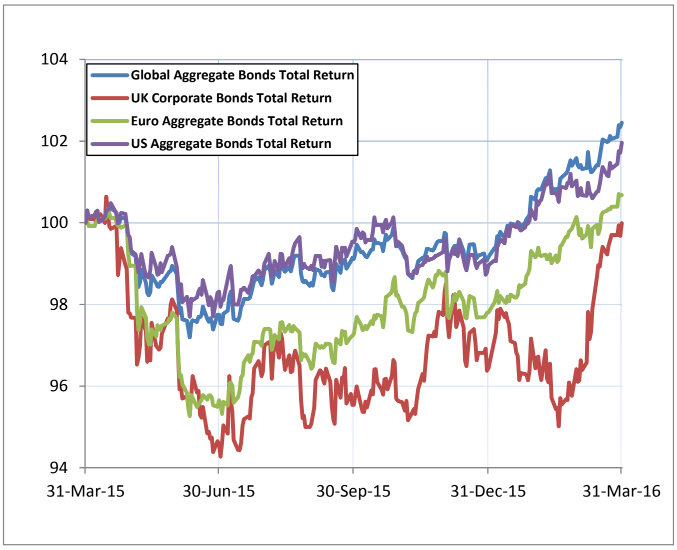


Figure 2: Fixed Income acted as a safe haven during quarter 1, 2016. Source: Bloomberg

Quarterly performance update continued

Table 1: Performance of Copia portfolios in the last quarter from 31 December 2015 to 31 March 2016

Model Portfolios	Performance: 31-Dec-2015 to 31-Mar-2016			% Equity			Outperformance	
	Copia GIA Net	Copia GIA Gross	IA	Copia	IA	IA Sector	Copia GIA Net	Copia GIA Gross
Model 1	1.59%	1.57%	0.04%			Money Market	1.55%	1.53%
Model 2	1.73%	1.74%		0%			1.69%	1.70%
Model 3	-1.88%	-1.73%	1.32%	12%	0-35%	Mixed Investment	-3.20%	-3.05%
Model 4	-2.44%	-2.23%		31%			-3.76%	-3.55%
Model 5	-3.62%	-3.52%	0.60%	39%	20-60%	Mixed Investment	-4.22%	-4.12%
Model 6	-4.77%	-4.67%		46%			-5.37%	-5.27%
Model 7	-5.05%	-5.02%	0.05%	56%	40-85%	Mixed Investment	-5.10%	-5.07%
Model 8	-5.55%	-5.56%		63%			-5.60%	-5.61%
Model 9	-5.14%	-5.20%		70%			-5.19%	-5.25%
Model 10	-5.21%	-5.31%	-0.25%	74%	100%	Flexible Investment	-4.96%	-5.06%

Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates

Table 2: Performance of Copia portfolios in the trailing 12 months prior to 31 March 2016

Model Portfolios	Performance: 31-Mar-2015 to 31-Mar-2016			% Equity			Outperformance	
	Copia GIA Net	Copia GIA Gross	IA	Copia	IA	IA Sector	Copia GIA Net	Copia GIA Gross
Model 1	0.83%	0.66%	0.12%			Money Market	0.71%	0.54%
Model 2	0.26%	0.22%		0%			0.14%	0.10%
Model 3	-3.92%	-3.86%	-1.47%	12%	0-35%	Mixed Investment	-2.45%	-2.39%
Model 4	-4.66%	-4.48%		31%			-3.19%	-3.01%
Model 5	-5.63%	-5.62%	-2.24%	39%	20-60%	Mixed Investment	-3.39%	-3.38%
Model 6	-7.08%	-6.95%		46%			-4.84%	-4.71%
Model 7	-8.11%	-8.14%	-2.83%	56%	40-85%	Mixed Investment	-5.28%	-5.31%
Model 8	-8.76%	-8.70%		63%			-5.93%	-5.87%
Model 9	-8.40%	-8.18%		70%			-5.57%	-5.35%
Model 10	-8.44%	-8.52%	-4.22%	74%	100%	Flexible Investment	-4.22%	-4.30%

Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates

Quarterly performance update continued

Table 3: Performance of Copia portfolios for year 1 – 31 March 2014 – 31 March 2015

Model Portfolios	Performance: 31-Mar-2014 to 31-Mar-2015			% Equity			Outperformance	
	Copia GIA Net	Copia GIA Gross	IA	Copia	IA	IA Sector	Copia GIA Net	Copia GIA Gross
Model 1	3.29%	3.24%	0.09%			Money Market	3.20%	3.15%
Model 2	2.87%	2.83%		0%			2.78%	2.74%
Model 3	9.35%	8.95%	7.75%	12%	0-35%	Mixed Investment	1.60%	1.20%
Model 4	10.81%	10.51%		31%			3.06%	2.76%
Model 5	10.64%	10.58%	8.81%	39%	20-60%	Mixed Investment	1.83%	1.77%
Model 6	11.34%	11.26%		46%			2.53%	2.45%
Model 7	12.22%	12.16%	10.75%	56%	40-85%	Mixed Investment	1.47%	1.41%
Model 8	12.38%	12.50%		63%			1.63%	1.75%
Model 9	12.41%	12.62%		70%			1.66%	1.87%
Model 10	12.33%	12.54%	11.65%	74%	100%	Flexible Investment	0.68%	0.89%

Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates

Table 4: Performance of Copia portfolios since launch – 28 October 2013 – 31 March 2016

Model Portfolios	Performance: 28-Oct-2013 to 31-Mar-2016			% Equity			Outperformance	
	Copia GIA Net	Copia GIA Gross	IA	Copia	IA	IA Sector	Copia GIA Net	Copia GIA Gross
Model 1	4.44%	4.20%	0.25%			Money Market	4.19%	3.95%
Model 2	3.01%	2.91%		0%			2.76%	2.66%
Model 3	6.12%	5.75%	6.81%	12%	0-35%	Mixed Investment	-0.69%	-1.06%
Model 4	7.29%	7.17%		31%			0.48%	0.36%
Model 5	6.37%	6.26%	7.53%	39%	20-60%	Mixed Investment	-1.16%	-1.27%
Model 6	5.09%	5.09%		46%			-2.44%	-2.44%
Model 7	5.17%	4.81%	8.76%	56%	40-85%	Mixed Investment	-3.59%	-3.95%
Model 8	3.87%	4.00%		63%			-4.89%	-4.76%
Model 9	4.36%	4.79%		70%			-4.40%	-3.97%
Model 10	4.25%	4.39%	7.72%	74%	100%	Flexible Investment	-3.47%	-3.33%

Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates

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